

~~TOPICS TO BE DISCUSSED IN CIA BUDGET HEARING~~  
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\* MONDAY, 19 OCTOBER 1953 \*

Question No. 7 (Part 3):

How would you evaluate the arrangements for and the proportionate resources devoted to the so-called "administration" of the Agency?

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Arrangements:

I believe that our present arrangements for "administration" are sound. Insofar as our overt operations are concerned our administrative problems are not complicated. They are quite complex insofar as they relate to covert operations.

There is a wide variety of opinion as to whether an Agency such as ours should have centralized administration, or, whether, for the sake of security, the overt and covert parts of the Agency should have their own separate, self-sufficient administrative support units. There are very good arguments to support either contention. CIA, in its short history, has tried a variety of combinations. While we have always had our so-called "central administrative offices" which have rendered support to the whole Agency, this support has not always extended throughout all echelons. In fact, prior to 15 July 1952 these offices had little influence on the conduct of overseas operations. The old Office of Special Operations (Foreign Intelligence Staff) operated with considerable independence from the central administrative offices. The Office of Policy Coordination (Political and Psychological Staff and Paramilitary Staff) also had very sizeable administrative and logistics staffs which operated more or less independently. As a result, in the summer of 1952 we found ourselves with the central administrative offices, in addition to sizeable administrative staffs in the Offices of Special Operations and Policy Coordination. In effect, we had neither centralized nor decentralized administration, but a compromise between the two. Admittedly, we had overlapping, duplication, and inefficiency.

This administrative problem, however, was only a part of the over-all problem of coordinating the separate cold war and FI activities with each other and with the rest of the Agency. General Smith, then Director, was aware of and had

carefully studied these problems, and on 15 July 1952 issued a directive which merged the separate area divisions of OSO and OFC and created the FI, PP, PM, and Administrative Staffs under the jurisdiction of the Deputy Director (Plans). His concept of our administrative arrangements is the concept which we have today. Briefly, it is based on three simple principles:

- a. The central administrative organization is not extended separately and in parallel to the operational command system.
- b. Officers responsible for operations, insofar as our resources permit, are allocated personnel, funds, and materiel adequate for the performance of the missions assigned to them. They are held responsible both for the success of their operations and for the practical and effective expenditure of the means allocated.
- c. Subject to paragraphs a. and b. above, the Deputy Director (Administration) is responsible for all administrative support for the Agency. This responsibility extends on operational levels to include appropriate audits and inspections of the handling of funds and materiel allocated to operating offices.

The Deputy Director (Plans) is the Director's Deputy responsible to him for all clandestine activities. The Chief of Administration on the staff of the Deputy Director (Plans) might be likened to the G-1—G-4 for a field army who has no command over the offices rendering administrative support but who is responsible for insuring that such support is arranged and provided for.

Since the inception of this directive of 15 July 1952 we have worked towards implementing this system. We've made good progress but have a long way to go to perfect it or even reach a state of proficiency which we consider to be entirely satisfactory. We believe that we have eliminated most of the overlapping and duplication and are sure that we have steadily grown to be more efficient. About 200 administrative-type positions in the clandestine services area have been eliminated and the functions performed by these people absorbed with relatively minor expansion elsewhere. Our greatest problem ahead is to further coordinate and integrate our overseas activities with our Headquarters system. This involves developing completely new regulations and indoctrinating and training personnel to implement them. I know of no security flap during this period which can be attributed to our centralized administrative support system, so I believe that we have a sound arrangement.

Proportionate Resources:

The proportion of one's resources devoted to administration should, of course, be the minimum that will insure the success of the mission; it must not be less. However, in our business the proportion of our resources devoted to administration is dependent upon the missions of the Agency. One cannot arbitrarily decide that for a given year only a certain proportion of the budget will be expended for administration. There are certainly instances in which to accomplish given missions practically all of the costs might be called "administration." All too frequently an operation is unsuccessful because of failure to provide at the outset a well conceived administrative support plan and to make timely provisions for funds and materiel to carry it out.

As you know, administrative support provided by the central administrative offices makes up about ten per cent of our total budget; approximately one-third of this per cent is for security. Spread out as we are in some [redacted] our guard service [redacted]. It would be misleading, however, to indicate that this represents the total cost of administration. There must, of necessity, be some personnel doing administrative work in all components of the Agency. I, frankly, don't know how much additional "administrative" cost there is outside of the central administrative offices and, particularly, in our overseas installations. However, there is some in every component and a substantial amount in our overseas stations.

Our major administrative effort is in support of our clandestine operations and it is very difficult to separate administrative support costs from operational costs. In fact, we believe that administrative support must be an integral part of the operation from early planning through execution. Then too, we can't, for security reasons, put our administrative support on an assembly line or mass production basis. So many of our support problems, in order to insure proper security, must be handled on a "need to know" basis which in many, if not most, cases is not the least expensive.

I am not optimistic that we can reduce these costs appreciably below their present level. In fact, we are going to have difficulty putting our house in order, particularly at our overseas stations, with our present staff. Once we have the house in order we may be able to effect some reduction. However, I estimate that it will be at least one and probably two years before we have the house in good order. So, I certainly believe that at this time our administrative costs are not disproportionate to our over-all budget, and, certainly, in view of the fact that we are trying to absorb functions previously located elsewhere in the central administrative offices, we are not likely to be able to effect a reduction in this area.